High-level Task Force Solutions
Retreat of October 15 & 16, 2003
Let's Get Washington Covered Task Force

Introduction

This document represents the discussions held by the Let's Get Washington Covered (LGWC) Task Force at its retreat on October 15 & 16, 2003. Staff from the Office of Insurance Commissioner used notes from the retreat to describe the high-level solutions, summarized in this document, for improving the Washington State health insurance system. The word "solution" is used throughout the document simply to retain the terminology from the retreat. In fact, many of them are potential solutions that need more analysis and discussion from the task force.

The task force is not prepared, at this time, to make a proposal based on its work from the retreat. Task force members will continue discussing these solutions at future meetings and readers should expect them to be modified. The goal of the task force following the retreat is to further develop these solutions, come to consensus, and propose legislation in January, 2004.

Process for Generating Solutions

The retreat offered the task force its initial opportunity to discuss solutions that reduce the number of uninsured individuals and stabilize the Washington State health insurance market. A facilitated process was used to generate high-level solutions at the retreat:

Step 1
Task force members reviewed, discussed, and clarified a master list of 83 potential solutions for the health insurance market. (The 83 potential solutions were compiled by the Office of Insurance Commissioner.) These potential solutions stretched from wide-scale reform to more specific enhancements. More potential solutions were added by task force members, for a total of 97, during that discussion.

Step 2
Task force members met in one of four mixed groups. (In most cases, a mixed group included one member from each area of the task force: consumers, purchasers, carriers, and providers.) Each group selected or developed its own high-level solutions that addressed the guiding principles of the task force.

Step 3
The full task force then reconvened and discussed the solutions from each mixed group. At this point, the retreat was nearing its end and next steps were discussed.

Next steps
The task force members want to continue the discussion of high-level solutions, generated by the mixed groups, as a full task force. The members propose two ways to continue the discussion: Some members prefer to begin the next

discussion of the full task force with the solutions from the mixed groups. Other members want to include additional solutions from the master list of potential solutions (the "blue board" at the retreat); some of those solutions are needed to address the guiding principles of the task force.

The solutions from the mixed groups represent a broad framework. The task force should begin its next meeting on November 19, 2003 by discussing those solutions generated by the mixed groups. The task force should then include items from the master list that enhance the solutions discussed in November. The master list (blue board) will be posted at that meeting.

The Guiding Principles and Decision Criteria Used at the Retreat

Task Force Guiding Principles

In exploring ways to improve health insurance in Washington State, the task force should consider options that:

A. Reduce the number of uninsured individuals while stabilizing current insurance enrollment levels.

B. Promote the availability of more affordable health insurance for consumers and purchasers while promoting sustainable health insurance for insurers and providers.

C. Learn from and build upon what works well while considering creative, new ideas.

Criteria For Discussing Solutions

A. How does a solution compare to the guiding principles?

B. Does the task force have the ability to impact a problem(s) with the suggested solution?

C. Could the task force successfully focus a solution on a particular part of a problem?

Summary of Solutions
The solutions are classified by how often they were mentioned by a mixed group. Solution #1 on reinsurance was mentioned in some form by three of four mixed groups. Solutions #2 – #8 were mentioned by two mixed groups. The other solutions were generated by one mixed group.

Note: Task force members did not review the solutions summarized below.

Suggestions mentioned by three mixed groups

Solution 1: Statewide Reinsurance

Description
The task force will discuss whether to propose a statewide reinsurance mechanism. The following ideas and options for a statewide reinsurance mechanism are now guiding the initial research by staff at the Office of Insurance Commissioner. The reinsurance mechanism may cover all health insurance markets and programs or certain segments of the Washington State health insurance system. The task force did not specify at the retreat which segments of the private or public health insurance system to cover.

High-cost cases, individually and/or in aggregate, can be covered by a statewide reinsurance mechanism. The reinsurance mechanism and a health insurance carrier will likely share the cost of health care services above a threshold amount. More than one threshold amount can be established and coverage can differ within the tiers established by those amounts.

There are a variety of ways to purchase or fund a statewide reinsurance mechanism. The financing mechanism may also benefit from subsidization or some form of risk adjustment.

Some task force members suggested that the reinsurance mechanism become the responsibility of a state agency. The state agency could operate the mechanism or contract with a private reinsurance carrier.

Premise of the Solution
A statewide reinsurance mechanism offers the possibility of stabilizing the financing of our health insurance system. Stable financing may be possible for these reasons:

1. A statewide reinsurance mechanism may create a larger, less expensive reinsurance pool than when each carrier or self-funded employer separately purchases reinsurance or holds money for high-cost cases;

2. A statewide reinsurance mechanism may provide the opportunity to set reinsurance thresholds at lower amounts and cost-effectively insure more high-cost cases;
3. A statewide reinsurance mechanism can focus on the frequency and type of high-cost cases within our health insurance system and develop a more predictable financing model for Washington State;
4. Fewer reserves may be maintained when the state backs the reinsurance mechanism; and
5. A statewide reinsurance mechanism may create more predictable rating scenarios for the primary, acute, and preventive health services that do not reach the reinsurance threshold(s) and allow carriers to flatten the rate of premium increases for covering those services.

Topics for Analysis

1. Analyze which segments of the health insurance system might benefit from participating in a statewide reinsurance mechanism.
2. Analyze the structure of the reinsurance mechanism:
   a. Potential threshold amount(s);
   b. How to share costs above the threshold amount;
   c. Whether risk adjustment is needed within the reinsurance mechanism; and
   d. Options for risk adjustment, if needed.
3. Analyze options for financing a statewide reinsurance mechanism.
4. Analyze the potential for cost savings.
5. Analyze the major issues of implementing and operating a statewide reinsurance mechanism.
6. Analyze how our current high-risk pool (Washington State Health Insurance Pool) fits within a statewide reinsurance mechanism.

Suggestions mentioned by two mixed groups

Solution 2: Economy Plan

Description

Carriers need to offer economy plans in all commercial health insurance markets. The economy plans will have no, or few, mandates. Economy plans can also make use of high-deductibles to lower premiums.

Premise of the Solution

Lifting the requirement for all or most mandates, coupled with high-deductibles, will allow carriers to offer less expensive health plans. Low-cost plans can encourage more employers and individuals to purchase and retain health

insurance. Low-cost plans can be used to increase enrollment among employers and employees at low-income firms.

Topics for Analysis

1. Analyze how to develop economy plans: 1) release carriers from the obligations of mandates and allow them to develop economy plans; 2) construct one or a few economy plans to be offered by all carriers; 3) Other ideas?
2. Analyze whether some mandated benefits should continue to be required under economy plans and if so which ones?
3. Analyze what has made economy plans successful in other states or markets. What worked? What didn't work? What was learned? What might work for Washington State?

Solution 3: Health Insurance Outreach and Enrollment

Description

The task force is concerned that certain individuals do not access coverage when they are eligible for public programs or can afford commercial health insurance. For example, it is estimated that 10% of the children eligible for Washington State SCHIP are not enrolled. These individuals may remain uninsured because of non-monetary barriers.

The task force would like to better understand why these individuals and families remain uninsured and how they can become enrolled. Cultural issues may play a role: Surveys have demonstrated that some people are not aware of their options for health care coverage. Or, possibly some groups distrust government programs. Customized outreach programs, designed to communicate with specific groups, may be able to reduce or eliminate certain barriers that push individuals away from becoming enrolled in a health plan.

Premise of the Solution

Public and commercial health coverage likely offers value to uninsured individuals in certain groups, but cultural or informational issues cause these individuals to remain uninsured. Communication through outreach programs to overcome these barriers will likely decrease the number of uninsured individuals without making any changes to available health care coverage.

Topics for Analysis

1. Discover which groups of people do not obtain health care coverage due to non-monetary barriers. Can we identify the non-monetary barriers (cultural, language, view of government, etc.) that dissuade people from obtaining health care coverage?
2. Are there proven methods that reduce the barriers and increase access to available health care coverage?

3. Are there cost-effective methods that reduce these barriers? Can we partner with organizations that now successfully perform outreach to certain groups or communities?

Solution 4: Blending Funds and CMS Waiver

Description

The task force is interested in options that allow private and public funds to be combined, "blended", in an effort to afford health care coverage. Some employers fail to offer, and some individuals do not purchase, health coverage because they weigh the entire premium against their available funds.

Throughout Washington State, about 75% of the uninsured are in families with at least one worker. Some of these families can afford a portion of the premium. More uninsured employers and employees might purchase health coverage if they could blend their money with public funds. While Washington State and local governments may be able to directly decide whether to contribute funds toward a blended premium, federal Medicaid funds will likely need a waiver from the Centers for Medicare and Medicaid Services (CMS). Although CMS now offers more options for obtaining a waiver, the process of securing a waiver from CMS is still lengthy.

Blending private and public funds is not a new concept in Washington State; the Basic Health Plan is now an established part of the Washington State health care system and has "blended" public and private funds from its beginning. The challenge has been to blend money from employers with contributions from federal, state, or local government. The following options are worth exploring and have often been discussed as potential strategies for reducing the number of uninsured:

1. "Open up the Basic Health Plan:" Find a way for small employers and their employees to access coverage through the Basic Health Plan. This could be a mechanism for restoring the Basic Health enrollment levels in place before the recent loss of funding.
2. Allow communities to establish local consortiums that provide coverage through blending the funds of employers and employees with state government (likely the Basic Health Plan and/or state Medicaid program) and federal funds (likely the state Medicaid program and/or grants). These consortiums can share financial decision-making and responsibility for the correct allocation of funds. The consortiums can be delegated responsibility for achieving outcomes.

These options are most often combined into a single method when analysts present how best to blend funds.

Premise of the Solution
Blending funds can maximize the use of available funds for health coverage and reduce the number of uninsured. Blending funds can also allow families to purchase health plans with benefits that provide valuable health services and financial protection.

Topics of Analysis

1. Information on the type of health insurance plans that can be purchased with blended funds.
2. Are there legal barriers to blending funds?
3. Can pilot projects among consortiums that blend funds and deliver services be conducted and evaluated?
4. Estimate the potential for "crowd-out" (when employers trade commercial coverage for coverage that is sponsored, in whole or in part, by government)? How can we avoid crowd-out?

Solution 5: Tax Incentives

Description
A health insurance tax incentive is a credit or deduction for the purchase of health insurance. It reduces an employer's or individual's tax burden. Tax incentives can be one method that lowers the effective price of health insurance premiums and encourages employers and individuals to obtain and retain health insurance.

Tax incentives can be provided in various ways: A deduction or credit can be capped, limited to certain categories of tax filers (e.g., businesses with low-income employees, businesses with predominantly uninsured employees, size of business, etc.) or made available for the purchase of specific types of health plans. Tax credits can be refundable or non-refundable (a contribution at the time a premium is paid).

The task force would like to consider how tax incentives might lower the cost of health insurance for employers and their employees. Employers who do not currently offer health insurance should be the primary target of these incentives. The task force, however, did not rule out providing tax incentives that encourages employers to retain health insurance.

The task force requested that the staff from the Office of Insurance Commissioner research potential methods of providing tax incentives. Although the Business & Occupations Tax was discussed by some task force members, the members did not recommend specific tax systems to analyze. The task force did discuss one idea: start with a relatively large tax credit and then phase it out. The initial tax credit should be large enough to assist the employer in purchasing health insurance. The phase-out period would allow employers and employees to adjust

to the new expenses of health insurance, with the potential of affording insurance beyond the phase-out period.

Finally, the task force questioned whether tax incentives should be offered to employers who participate in any version of subsidized health coverage such as the Basic Health Plan.

Premise of the Solution
Tax incentives are one instrument that can encourage employers to offer health insurance to uninsured individuals. Tax incentives, if applied to employers with health insurance, can encourage some employers to retain insurance when they can no longer afford a health plan for themselves and their employees.

Topics of Analysis

1. Which tax systems might be candidates for credits or deductions for firms?
2. What credits or deductions might create an incentive for employers and employees to purchase health insurance? What is the best way to design those credits or deductions?
3. What will be the effect of the loss of state revenues?
4. Which employers should be offered the tax incentives: Those who currently do not offer health insurance? Those who currently do not offer health insurance to all of their employees? Those employers who offer health insurance and have a low participation rate among employees? Should we offer incentives only to employers of a certain size? Should we have different incentives for different size employers? Should we consider different tax incentives for those employers who currently offer health insurance?
5. Can the tax credit be non-refundable – paid at the time health insurance is purchased?

Solution 6: Promote Better Management of Utilization

Description
The task force is considering how to promote better utilization management of health care services. The task force is interested in how statutory or regulatory changes might promote the use of evidence-based care. For example, one suggestion was to consider a common definition of medical necessity that retains the review mechanisms within the Patients Bill of Rights.

Premise of the Solution
The utilization of health services can be improved through more reliance on clinical evidence and efficacious treatments. Any improvement to the framework that governs the coverage of benefits and the use of benefits can promote better management and utilization of health care services.

Topics of Analysis
Analyze potential laws or regulations that promote best practices, evidence-based utilization of care, or improve upon a common definition of medical necessity that reduces the variability of treating health conditions.

Solution 7: Capture Uncompensated Care, Cost-Shifting, and Savings

Description
The task force began the retreat by participating in a presentation on the amount of uncompensated care and cost-shifting absorbed within the Washington State health system. Throughout the retreat, the task force suggested that it was worthwhile to investigate ways to capture the money absorbed into the system through uncompensated care and cost-shifting. The captured funds can be used to cover uninsured individuals and reduce the need to absorb uncompensated care and shift costs within our health system. The following two ideas were mentioned at the retreat:

1. Savings from reinsurance**:** A statewide reinsurance system may result in savings to the Washington State health insurance system. A portion of the savings could be used to fund more enrollees in the Basic Health Plan or could become the state portion of a blended premium for new employers and employees in the Basic Health Plan.
2. Capturing uncompensated care: Some task force members expressed interest in capturing the resources absorbed within the health care system for uncompensated care. We should attempt to eliminate the cost of that care by insuring people. The State of Maine's Dirigo Health Plan is designed to reduce the need for uncompensated care by purchasing insurance at the "front end of the system." The Dirigo Health Plan was suggested as a model to review.

Premise of the Solution
Uncompensated care and cost-shifting create a cost burden that is disproportionately spread among carriers and providers of health care. The cost of uncompensated care is also unknown from year to year, adding to the uncertainty of rate-setting and risk-sharing among all carriers and providers. That uncertainty is passed onto purchasers and consumers in the form of higher premiums and cost sharing. Uncompensated care can be reduced and premiums can be stabilized by covering more people.

Topics of Analysis
1. Analyze methods to capture the resources devoted to uncompensated care.
2. Analyze methods to use funds from uncompensated care to purchase health coverage.

Solution 8: Combining Risk Pools

Description
The task force mentioned various methods of combining risk pools during the retreat. These ranged from a statewide reinsurance mechanism, mentioned previously, to combining the small and large group markets, and finally, combining all state-purchased health care.

Premise of the Solution
There was an interest in whether premiums could be reduced or stabilized under different combinations of risk pools. More people may be able to afford health insurance if new pooling arrangements flatten the rate of premium increases.

Topics of Analysis

1. Analyze the impact upon enrollees of combining risk pools. What will happen to the cost of premiums, administration, and marketing and distribution?
2. Analyze the impact of retaining other risk pools as they are. What will happen to enrollees, the cost of premiums, administration, and marketing and distribution?

Suggestions mentioned by one mixed group

Solution 9: Require Coverage for College Students up to Age 25 and/or Require Carriers to Offer Coverage to Dependents up to Age 25.

Description
The task force discussed specific options for enrolling or retaining younger adults in the health insurance system. One option is to require coverage for college students up to age 25. Another option is to require carriers to offer coverage for dependents up to age 25. The task force remains interested in other options that may encourage more young adults to become enrolled.

Premise of the Solution
Younger adults are healthier and use fewer health services than people in other age groups. They still use health services, sometime for serious medical conditions. One element of stabilizing premiums may be to increase coverage to a fairly large and relatively healthy segment of the uninsured population.

Topics of Analysis

1. How many more young adults might become enrolled?
2. Analyze the impact of mandating coverage for certain college students.
3. Analyze the ability of carriers to cover and provide health services to more young adults.

Solution 10: Make Washington State's Guaranteed Renewability Law Consistent with the Health Insurance Portability and Accountability Act (HIPAA)

Description

The Health Insurance Portability and Accountability Act (HIPAA) and Washington State laws both require health plans to be guaranteed renewable. It means that enrollees can continue to renew a plan for the next policy year. Guaranteed renewability does not keep employers and employees from selecting a different plan for the coming policy year.

When a carrier discontinues a plan, HIPAA requires that the carrier offer any other existing health plans currently marketed by that carrier. In contrast, Washington state law only permits a carrier to discontinue a plan when it replaces that plan with one that includes all covered services that were covered by the replaced plan. The replacement plan also must not significantly limit access to the kind of services covered under the replaced plan. (See RCW 48.43.035.)

Premise of the Solution

The Washington State guaranteed renewability law creates expenses for carriers and is one regulatory element that decreases options for enrollees and the uninsured:

1. The guaranteed renewability law requires carriers to continue offering many health plans with low enrollment and that can be administratively expensive;
2. Carriers are hindered from offering creative new products that might appeal to uninsured employer groups due to the difficulty of discontinuing a plan that attracts few enrollees; and
3. Other states do not require carriers to offer a replacement plan with a similar benefits package when a plan is discontinued. It is thought that new carriers do not enter our health insurance markets because Washington State regulations such as guaranteed renewability are different from the markets (states) they now serve.

Topics of Analysis

1. Do other options, between the Washington State policy and the HIPAA standard, exist for a new guaranteed renewability law?
2. If the HIPAA standard for guaranteed renewability were adopted, how could it be phased-in or appropriately managed so that many plans are not terminated immediately after a new requirement is approved?
3. How could the HIPAA standard for guaranteed renewability be appropriately implemented along with an economy plan?
4. Is there pent-up demand by carriers to discontinue plans if Washington State uses the HIPAA standard for guaranteed renewability?

Solution 11: No More Groups-of-one Eligible for the Small Employer Group Market

Description

The small employer group market in Washington State is comprised of self-employed individuals ("groups-of-one") and small employer groups up to 50 employees.

Premise of the Solution

Groups of one are more expensive to insure than other small group employer plans:

1. Marketing and underwriting to groups of one is more costly: The broker and carrier must perform the same tasks when enrolling any small group employer, including a self-employed employer. The broker and carrier need to identify and contact the employer. They must ensure that the self-employed employer is eligible for small group employer coverage. Then, only one individual or family is enrolled under the group policy. The enrollment from this marketing effort is not cost-effective compared to marketing to other small employer groups.
2. Administration for groups of one is more costly than other groups: Carriers must send the same group insurance documents to self-employed enrollees and other small employer groups with up to 50 employees. Carriers receive assistance from employers to distribute documents to enrollees in small employer groups with up to 50 employees.
3. Groups of one may adversely select small employer group plans: The richer benefits in the small employer group market, when compared to the individual market, may attract self-employed employers with a need for health services. Self-employed employers with no immediate health conditions and an interest in financial protection may opt to enroll in less expensive individual plans with fewer benefits and higher deductibles. Premiums in the small employer group market, consequently, may be lower when the self-employed can no longer enroll as groups of one.

Topics of Analysis

1. Can the current groups-of-one be "grandfathered," i.e., remain in the small employer group market until they decide to change health plans?
2. How many people are insured in groups-of-one?
3. What might be the impact to the individual market?
4. What might be the impact to the percent of uninsured individuals?

Solution 12: Improve Administrative Practices

Description
There was general concern mentioned at the retreat about streamlining administrative practices and reducing the cost of administering health plans. No specific administrative practices were described or targeted for enhancements or savings.

Premise of the Solution
There was a concern at the retreat that growing administrative costs will continue to siphon money away from the provision of health services and make it difficult to stabilize costs in the insurance market.

Topics of Analysis
Better identification of the administrative practices or burdens that are growing or considered costly.

Solution 13: Examine Pay-or-play Concepts That Decrease the Number of Uninsured Individuals

Description
A pay-or-play concept has the potential to decrease the number of uninsured individuals. Pay-or-play concepts usually require all or most employers to pay into an insurance fund when they do not offer health insurance. Also, employers are typically required to offer a benefits package that meets a specified level of health benefits. Other pay-or-play requirements can specify a minimum percent of premium that employers must pay.

Premise of the Solution
The pay-or-play concept was mentioned out of the concern that many of the other solutions during the retreat did not directly or significantly reduce the number of uninsured individuals.

Topics of Analysis
A better understanding of pay-or-play concepts is needed, or a better understanding of how other solutions from the retreat can directly reduce the number of uninsured individuals.